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The Exchange

A MAGAZINE OF THE FINANCIAL COMMUNITY 10c A COPY

April, 1942

APR 23 1942

We Can Make Our Own!

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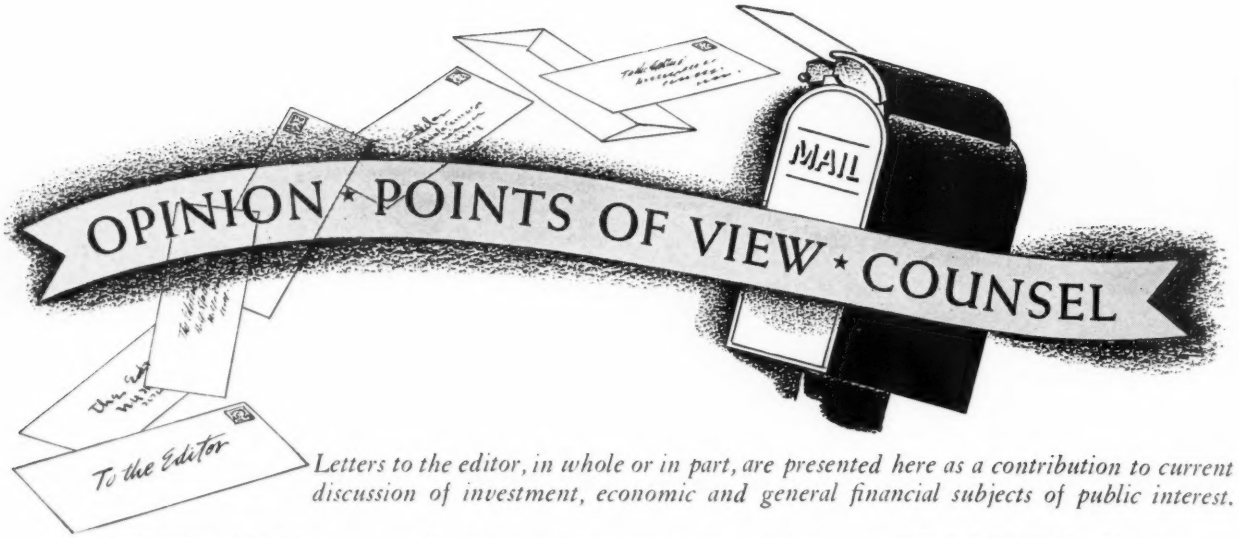

Letters to the editor, in whole or in part, are presented here as a contribution to current discussion of investment, economic and general financial subjects of public interest.

AKRON, OHIO

Statistics may be made to stand on their heads or perform other tricks when expert manipulators juggle them, but they seldom fail to make sense. But imagine the state of mind of a plodding investor when he sees a corporation's stock selling around $8 a share, despite the reported fact that 1941 profits exceeded $4 a share. I didn't believe my own eyes upon comparing earnings and price in the newspapers but a check-up indicated that both figures were correct. How long has this sort of thing been going on? What is a man to believe after thinking for years on end that ten-times-earnings was a reasonable price for a stock?

O. T. B.

MERCHANTVILLE, N. J.

The optimistic curtain-raiser on post-war events, which Mr. Walzer offered in his article in your March edition, gave a lift to jaded spirits. The sketch might have contained something, however, which was lacking. Where is the capital to come from in order to finance boom conditions? The waste of this war is beyond any parallel. It seems to me that several years, after peace comes, will be devoted to plain salvage operations instead of new construction involving financing in a world gone "broke." That is assuming, of course, that the war still has several years to go before the democracies win—consuming billions and billions of capital, in addition to the billions already gone down war's hungry maw. . . . The article's deductions must have been based upon a shorter conflict than the military experts now look for.

The whole subject is highly problematical, I know, and can use much exploring from a number of angles.

J. K.

EAST ORANGE, N. J.

. . . Of course my stocks have lost ground, but the price is, to me, only one yardstick to be used in measuring investments. Some months ago, I can't recall just when, an investor wrote in THE EXCHANGE that he simply bought *good* stocks and held them. I have thought much about that simple view of investing, and I agree with it. However a person handles his money, he must either take a loss sometimes or see his principal amount recede. But, in general, old stocks of first-class reputation are worth owning.

F. McK. D.

NASHVILLE, TENN.

Railroads paying off debt . . . railroads building up their cash . . . railroad men being quoted as saying that present facilities are sufficient to handle all traffic in sight! Please overlook the lack of grammar and syntax in the foregoing—I want to get my thought over quick. It is that the underpinning of many railroad bonds must be growing stronger than any man in 1933-38 thought possible. Now if managements will refrain from paying too large dividends (which they failed to do in 1926-30)—our principal transportation system's credit position ought to be *par excellence* in a couple of years.

N. I. R.

BROOKLYN, N. Y.

Overhearing a customers' broker say a few days ago, "It's a hard job to get clients who are used to stocks to trade in bonds," I wondered whether, because it is "hard" to change trends of thought, Stock Exchange people fail to make the most of their market's capacities or of their own. During the last eight months large trading profits have been made by flexible traders in listed bonds. I know this is true because friends of mine, who "know their way around" in the securities and commodities markets, have done well in bonds. They are speculators, they may invest some of their capital, but trading is their avocation. From their comments, I think these acquaintances of mine saw "reorganization rail" opportunities fully a year ago.

G. T. L.

DEEP RIVER, CONN.

At Becker College in Worcester, where I am on the staff as instructor in Finance during the Fall term, we have two classes in Investing for seniors. Having seen a copy of THE EXCHANGE last Summer, I was determined to experiment with it as a supplement to the book "Jordan on Investments," which was our text.

We used each monthly issue as the basis of one week's written assignment. Students were able to digest any assigned article in it, because of the care you have adopted to translate the "language of The Street" into frat phrases . . . yet dignified and factual.

Congratulations—we'll re-order in September.

A. J. M.

The Exchange

A MAGAZINE OF THE FINANCIAL COMMUNITY

VOLUME III, NUMBER 4 . . . . . APRIL, 1942

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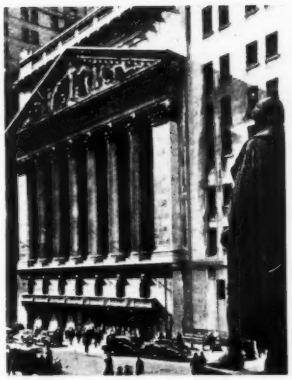


FIRST QUARTER DIVIDENDS HOLD EVEN WITH 1941 LEVEL

THE tide of dividend reductions was stemmed in the first three months of this year by an increase in the number of issues making payments so that total distributions on listed common stocks were nearly as large as in the first quarter of 1941, totaling $430,173,000 against $436,162,000 in the 1941 period. All told, 457 issues yielded dividends, compared with 430 in the period a year ago.

The preferred section of the list also held closely to its 1941 record, with distributions among 285 issues totaling $78,927,000, against $80,313,000 paid by these issues in the period the year before.

Dividend rates were raised in the first quarter on 108 common stock issues, and reduced on 69. While the stock list as a whole continues to contain a higher number of dividend-paying issues, fewer increases in dividend rates and more numerous reductions are expected in the coming months.

The widespread changes serve to illustrate the shifting position of the stock list; in all of 1941, 396 common stocks revised their payments rates, already this year 177 have done so. Against this background, it becomes worthwhile to review in some detail the dividend trends in the various industries, which are shown in the table on page 2. The largest increase is the 255 per cent gain in dividends shown for the electrical equipment industry, but this result is affected by a change in the payment date of General Electric. On the old basis, the industry would have shown a gain of only 16 per cent in dividends.

Other industries which have sizable increases are: shipbuilding and operating, 80 per cent; garment, 45 per cent; paper manufacturing and publishing, 36 per cent; machinery and metal, 16 per cent; and farm machinery, 15 per cent.

In the garment group, an increase in the first quarter payments of Cluett, Peabody & Company from $0.50 to $0.75 was largely responsible for the rise. Also, the farm machinery group's results were influenced by the larger payment by International Harvester, $0.50 in the first quarter this year, against $0.40 the year before.

Slumps in the dividend totals occurred in the automobile, rubber and retail merchandising groups. The last-named, however, is affected by a difference in the payment date of R. H. Macy & Company. Without this change, the group would have had a less sizable decrease.

Thus far dividend cuts by some of the prominent, large companies, such as Chrysler, du Pont and General Motors, have been offset by larger payments by many of the other companies. In the chemical group, for example, 11 companies distributed larger amounts, 35 paid at the same rate, and 6 reduced their dividends to give an over-all result for the group of a 7 per cent decline in the dividend total.

Dollar Increases

The biggest dollar increases in common dividends occurred in the following industries: electrical equipment, whose payments went from $4,212,000 to $14,967,000 (with the result again influenced by the change in General Electric's payment date); machinery and metal, which gained from $14,342,-

000 to $16,700,000; steel, from $19,470,000 to $21,763,000; and petroleum, from $31,167,000 to $33,316,000.

These improved results largely offset somewhat lower dividend totals in the automobile, public utility, chemical and retail merchandising industries to bring the aggregate payments of the stock list near the 1941 mark.

Shifts Since 1937

With last year's common stock dividends nearly equal, in the aggregate, to the total amount paid in 1937, it is interesting to compare the figures of some individual industrial groups. The make-up of the stock list has changed somewhat since 1937, of course, as a number of new issues have been added; so exact comparisons cannot be made. Nevertheless, some general trends are indicated.

	Total Divs. Paid 1937	*Total Divs. Paid 1941*
	(Thousands of Dollars)	
Amusement	$22,417	$13,683
Aviation	4,687	47,472
Elec. Equipment	92,396	65,932
Financial	78,105	56,701
Food	154,499	131,040
Mach'ry. & Metal	96,373	87,964
Petroleum	268,145	233,371
Railroad	168,805	160,640
Retail Mchd'ising.	152,687	127,420
Shipb'ldg. & Oper.	1,917	7,727
Steel	65,669	113,364
Textile	13,760	19,760

In the case of most of the groups, approximately the same number of companies are included in both periods, except for the aviation and shipbuilding groups. The former had 5 dividend-paying issues in 1937, and 12 in 1941. Dividend-paying issues in the shipbuilding group increased from 4 to 8.

The most striking fact revealed by the figures is that, despite some current impressions of "excessive war-time profits," a number of industries are not doing as well as in 1937. This is true of some war industries, such as electrical equipment and machinery and metal, as well as of consumer trades, including amusement, food and retail merchandising companies.

Adjustments to War Conditions

Dividends continually are being adjusted to conditions of the war period, naturally. Meanwhile war uncertainties have made the search for stability of income more difficult than ever. But there are signs that the adjustments of the next few months may approach a pattern for the war period. The revenue needs of the Government, the demands made upon industrial production and the allocation of critical materials are some of the matters which are much more out in the open than they were only a few months ago.

SERVING WITH FORCES OF UNCLE SAM

☆ ☆ ☆

The nation's call to arms has been answered by 1,110 members of the New York Stock Exchange, employes of the Exchange and member firm personnel. The record, which grows from week to week, shows to date these divisions of men who have entered the Army or Navy: 94 members of the board, 63 allied members of the Exchange, 868 employes of member firms, and 85 Stock Exchange employes.

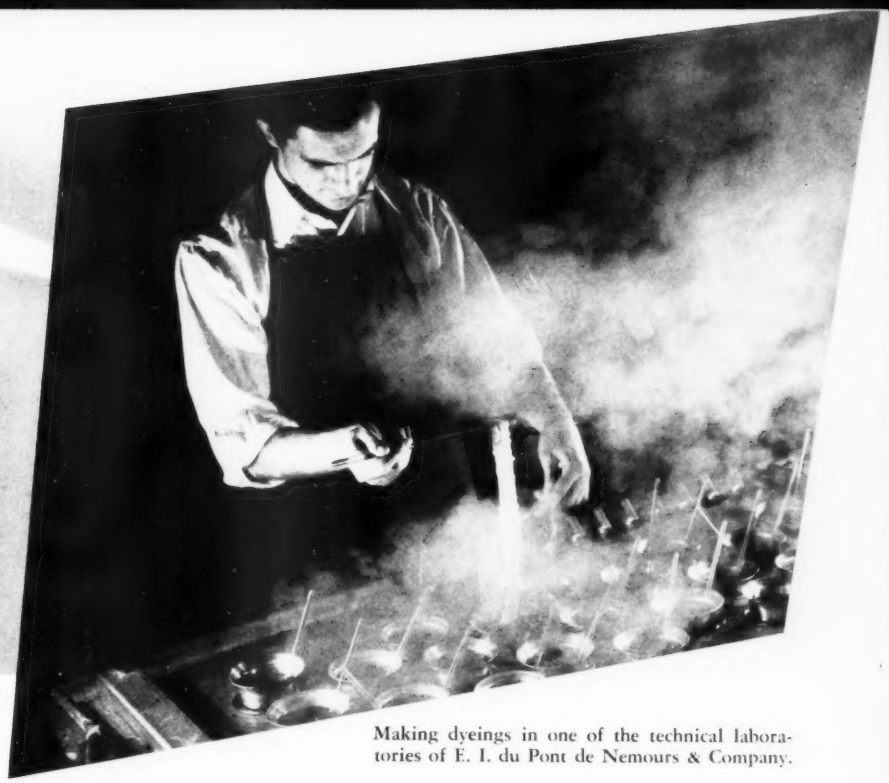
DIVIDEND PAYMENTS OF COMMON STOCKS LISTED ON THE NEW YORK STOCK EXCHANGE

—First 3 Months of 1942—

	No. of Issues Listed	No. Paying Div. in 1st 3 Mos. 1942	No. Paying Increased Dividends	Estimated Div. Payments: 1st 3 Months 1942	Per Cent Change
Amusement	14	7	2	$ 2,446,000	+ 9.7%
Automobile	61	27	7	36,114,000	— 24.7
Building	27	13	0	3,963,000	— 1.0
Business & Office Equip.	9	6	1	2,286,000	+ 3.0
Chemical	67	52	11	54,663,000	— 6.6
Electrical Equipment	16	11	2	14,967,000	+255.3
Farm Machinery	6	3	1	3,314,000	+ 15.3
Financial	29	16	1	15,747,000	— 7.9
Food	56	36	8	21,572,000	+ 0.3
Garment	5	3	2	628,000	+ 45.0
Leather	12	8	2	2,799,000	+ 11.4
Machinery & Metal	76	48	21	16,700,000	+ 16.4
Mining	34	16	3	19,959,000	+ 3.9
Paper & Publishing	25	18	9	3,370,000	+ 36.1
Petroleum	37	19	4	33,316,000	+ 6.9
Railroad	80	30	2	31,468,000	+ 6.1
Retail Merchandising	65	39	8	25,208,000	— 13.3
Rubber & Tire	7	4	0	1,824,000	— 24.3
Shipbuilding & Operating	9	4	4	1,025,000	+ 79.8
Steel, Iron & Coke	38	21	7	21,763,000	+ 11.8
Textile	23	12	5	3,114,000	+ 7.6
Tobacco	19	15	1	15,673,000	— 8.2
All Public Utilities	47	25	2	76,223,000	— 7.4
U. S. Cos. Oper. Abroad	23	10	1	8,087,000	— 4.0
Foreign Companies	13	9	3	12,943,000	+ 6.7
Other Companies	37	5	1	1,001,000	— 29.1
Total	835	457	108	$430,173,000	— 1.4%

WE CAN MAKE OUR OWN!

By Jesse L. Whitten



Making dyeings in one of the technical laboratories of E. I. du Pont de Nemours & Company.

"Any commercial product in the chemical field which normally comes from foreign sources—metals excepted—can be duplicated by American manufacturers in sufficient quantities for American needs, given a little time and raw materials."

A LEADING producer of chemical products who expressed this opinion added that not only could such products as silk, rubber, vegetable constituents of soap, and so on be offset by domestic ingenuity and management, but would be.

The speaker had adequate evidence from experience in World War I to support his contention. In 1917, this country had practically no organic chemical industry and as a result we suffered shortages of dyes, dye intermediates, drugs and glycerine, but today the situation in this respect is just reversed. We have men who are experienced in both research and production of these important products, we have the plant capacity and physical equipment to produce not only for our needs, but also for the needs of a large part of the world. These mechanical assets may be ranked among our great natural resources.

For example, in the year 1914, 6,619,729 lbs., or $2,470,096 worth of coal-tar dyes, were produced from imported dye intermediates. During the year 1940, 122,677,000 lbs., or $76,432,000 worth of dyestuffs were produced from domestic raw materials.

A specific case can be found in so ordinary a product as indigo. India was a basic source of "indigo blue" until the transportation difficulties of 1916-19 interfered with our imports. America was already making some indigo, but see what happened. Not long afterward we were selling indigo in India!

We were selling a great part of the indigo used in China, which means a great deal commercially—no less than 80,000,000 pounds of indigo are used in China each year. When you see a typical scene in Chungking pictured in the newspapers, you'll be impressed by the coats and pantaloons worn by the people. They are dyed blue with indigo, millions and millions of 'em.

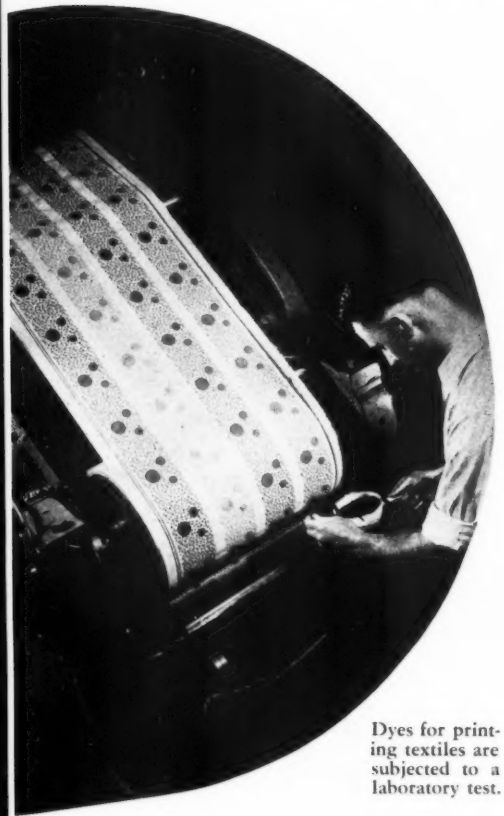
The Position Is Reversed

The branch of organic chemistry which supplies the hospitals, the Red Cross, the military establishment, and other users with drugs or pharmaceuticals and medicinal chemicals is in a much better position than it was during World War I. Many may recall that the blockade during the last war de-

SOME USES OF ADVERSITY BROUGHT BY WAR

We hear much about goods' shortages and experience them, too. But what about the products which war's exigencies are bringing forward, acting to make America self-sufficient and emphasizing the Western Hemisphere's home sources of materials? What about future corporate earning power, now being developed—unlocked in important instances—as American ingenuity and the American productive capacity are centered upon chemical enterprises? The article on this page supplies investors with information of long-range value.

prived America, temporarily at least, of many important drugs and medicinal chemicals which had never before been made in this country. Among such drugs was arsphenamine, which normally sells for a few dollars per tube. During the period before we could get into production, the last imported arsphenamine was selling for $25 a tube, and higher prices were offered. We make our own now and plenty of it.



Dyes for printing textiles are subjected to a laboratory test.

Quinine is made in large quantities in this country, but the crude material —cinchona bark—has its principal source in the Dutch East Indies. Now that this area is cut off, the use of quinine in America may for a time have to be limited to the treatment of malaria alone, and substitutes found for other uses. Still, the Japanese have not stymied the American market. Cinchona was found originally in Peru during the Seventeenth Century. South America may well become an important source for many crude drugs, including cinchona bark.

Fortunately, this country is in an advantageous position to produce sufficient quantities of vitamins to take care of not only the growing domestic needs but also the requirements of the entire hemisphere.

The requirements of Vitamin A and Vitamin D may be produced from halibut and other fish livers which are obtained from either coast of this continent. The synthesis of Vitamin A is being investigated, as large quantities of Vitamin A may be required for the aviation corps, tank and truck drivers and others subject to night blindness.

The drugs which have proved so important of late in the treatment of pneumonia — sulfapyradine, sulfanilamide and sulfathiozole—are all produced in this country from domestic materials.

In Place of Silk

Silk from Japan, of course, is no longer coming here. What of it? While the synthetic product nylon has received much publicity due to its use in the manufacture of stockings, this and its companion products are rapidly being applied to many other uses. To name a few: bristles for brushes, buttons, a material to replace copper in babbitt metal bearings, fishing lines, tennis racquets, sutures and parachutes. We cannot get silk but we have such effective man-made textile fibers that after a while silk may be permanently relegated to the past.

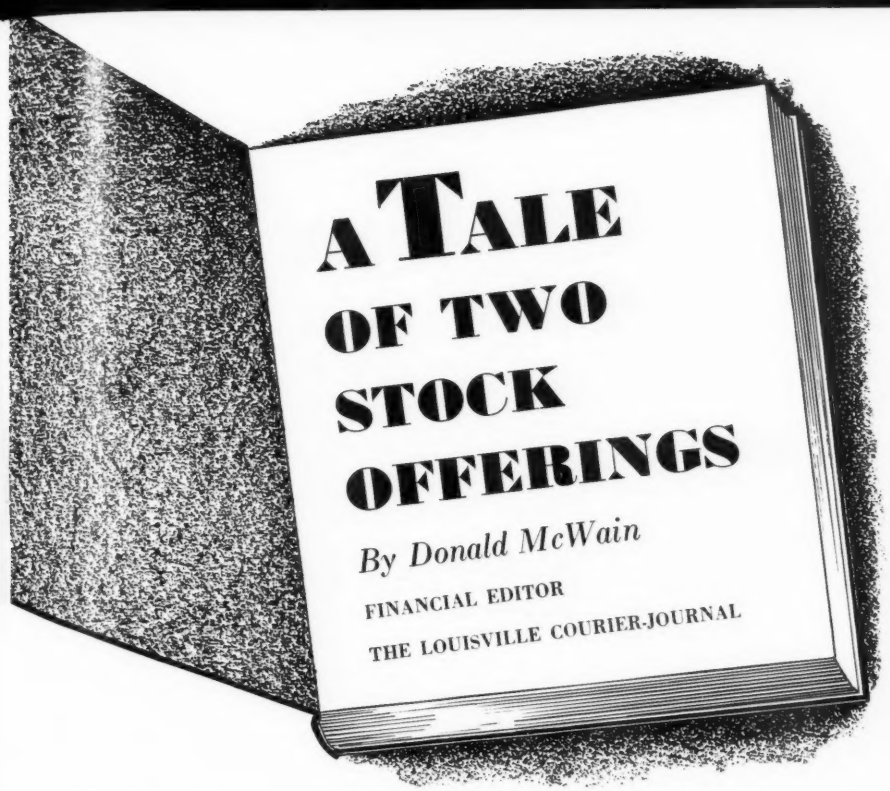
Glycerine is a by-product of the soap-making industry; it follows that its production is limited to the amount available in the oil and fats consumed in these industries. During the period after 1928, the average efficiency of recovery advanced from about 50 per cent to 75 per cent, due to the increased demand by consumers. The average selling price of chemically pure glycerine over the past 20 years is about 16 cents per pound. During this period the peak price of 32 cents per pound was reached in 1926-27. The low price during the depression was 10 cents per pound in 1933.

Domestic consumption has increased from 62,000,000 pounds in 1920 to 194,000,000 pounds in 1939. While this product is used in numerous industries, about one-half of the domestic consumption is employed in the manufacture of resins, in wrapping materials, such as cellophane and parchment, in tobacco and in explosives containing nitroglycerine. The first two industries

(continued on page 16)

"Cordura" rayon, a viscose process yarn developed by du Pont chemists, is placed on a "creel" from which the yarn is run to a "beam," the standard package for tire manufacturers. Tire cords for buses, trucks, passenger cars and airplanes can be made from "Cordura."

DU PONT PHOTO



WHILE one swallow does not make a summer, it is a scientific fact that two may start a mating season. Dealers in securities probably could visualize but little from the Pacific Gas & Electric Company stock case, but after it was paired with the Louisville Gas & Electric Company common stock venture a new hope was hatched. The hope is that henceforth private corporations and the Securities & Exchange Commission will discard direct sale of new securities to the public in favor of distribution through recognized securities dealers.

Pacific Gas, pioneer in the "customer ownership" plan, inaugurated sale of stock to consumers in 1914. By direct sale, it distributed without underwriters $76,000,000 par value of its first preferred stock, the last having been $5,000,000 par value taken by 7,000 investors in a six-week period of 1932.

As of December 31, 1940, the company's first preferred stock was held by 59,000 stockholders, of whom 48,000 were residents of California, which the company serves. Par value of this preferred was $134,270,625. Common stock, aggregating $156,538,925 was held by 37,000 stockholders, of whom more than 21,000 were Californians.

Pacific Gas on July 8, 1940, started its first direct-to-the-public sale of stock. Securities dealers made no protest against direct sale of 400,000 shares of 5 per cent, cumulative, $25 par, first preferred stock at $27 a share.

After several weeks, Pacific Gas had sold 220,000 shares. Securities dealers then were consulted by company officials. Negotiations resulted in purchase of the remaining 180,000 shares by Blyth and Company.

Re-Offered by Securities Dealers

Blyth and Company re-offered the stock on November 6 through securities dealers' channels. The 180,000 shares were over-subscribed at $27 a share that day. The bid moved to 27¼ the next day. No stock was offered under 27½.

Louisville Gas & Electric Company of Kentucky was signally successful in direct distribution of its 5, 6 and 7 per cent preferred stocks during the 1920's. A map of Louisville and Jefferson County in the lobby of its central office was peppered with colored pinheads, each denoting the abode of a preferred shareholder.

Louisville Gas & Electric Company of Kentucky is an operating company controlled by an intermediary holding company, Louisville Gas & Electric Company of Delaware, through ownership of 883,161 shares of Kentucky's common. The Delaware company in turn is controlled by the top holding company, Standard Gas & Electric Company, through possession of a heavy preponderance of 300,949 out-

Donald McWain

standing shares of Delaware "B" (voting) stock.

In May, 1941, Louisville Gas & Electric of Kentucky embarked on a refinancing program, offering holders of 6 and 7 per cent preferred stock an opportunity to exchange through securities dealers for new 5 per cent preferred. Lehman Brothers headed the underwriting, but Louisville dealers were given a prime participation.

The public promptly accepted the new stock with pleasure. Dealers were all smiles. The utility management was delighted.

The company next proposed to finance part of an expansion program by selling 150,000 shares of common stock. It further proposed to avoid fees and expenses by selling directly to the

(continued on page 14)

WHEN THE CLIENT'S REQUIREMENTS CALL FOR SPEEDY ACTION

By Eugene Barry

Sales through Secondary Offerings are viewed as advantageous to participants and Stock Exchanges as well

SECONDARY distributions—the sale of blocks of listed stocks off the floor—have constituted an interesting controversy among Stock Exchange members during the past two years. The advocates and opponents of such a system are equally strong in their convictions. A survey of this field, therefore, should be of timely interest.

The basic reason for the sale of blocks of listed stocks "over-the-counter" rather than on the floor of the Stock Exchange has been the inability of the listed market to absorb these large blocks readily in a short period of time. The seller who utilizes this method usually is motivated by the desire to obtain cash for his holdings quickly and to avoid the market risk involved in the longer time required in selling the block on the Exchange. Also, in the instance of a trustee liquidating a block of stock, there is more than ordinary legal risk involved in not selling as quickly as possible. In this connection, it will prove interesting to note some of the more frequent sources of secondary distributions. The first section of the following table shows the types of sellers of secondaries in 1940, as reported in the Securities and Exchange Commission's study of secondary distributions. The second section shows the long-term trend of these offerings over the period 1938-1941 (first three months), also classified by the type of offerer of the shares.

One of the arguments most frequently heard against secondary distributions is that the extra commission paid salesmen causes the sale of stocks of lower quality. This is not borne out by the facts. In 1940 only three secondary distributions were in stocks selling under $10 per share, despite the fact that in 1940 there were 319 listed stocks selling for less than this amount. A disproportionately large number of secondaries were in issues selling between $50 and $100. This trend continued in 1941.

An examination of the list of stocks

(continued on page 12)

DOMESTIC SECONDARY DISTRIBUTIONS OF NEW YORK STOCK EXCHANGE AND NEW YORK CURB EXCHANGE STOCKS CLASSIFIED BY THE TYPE OF SELLER

Secondary Distributions in 1940

Type of Seller	Number of Distributions		Volume of Sales		Value of Sales	
	No.	Per cent of Total	Shares	Per cent of Total	Dollars	Per cent of Total
N. Y. S. E. Stocks						
Corporate Insiders	13	22.8	555,163	38.5	11,412,728	27.9
Investment Companies	11	19.3	83,722	5.8	3,513,327[1]	8.6
Estates	9	15.8	324,710	22.5	10,241,013	25.1
Banks & Dealers	6	10.5	250,684	17.4	7,927,318	19.4
Unknown	3	5.3	38,604	2.7	1,511,337[1]	3.7
Others	15	26.3	188,677	13.1	6,272,943	15.3
Total	57	100.0	1,441,560	100.0	40,878,666	100.0
N. Y. C. E. Stocks						
Corporate Insiders	2	7.1	51,000	23.3	1,208,000	18.9
Investment Companies	1	3.6	1,100	0.5	66,550	1.0
Estates	3	10.7	48,590	22.1	948,751	14.8
Banks & Dealers	9	32.2	33,589	15.3	764,041	12.0
Unknown	11[2]	39.3	80,845	36.9	3,270,631	51.1
Others	2	7.1	4,196	1.9	142,183	2.2
Total	28	100.0	219,320	100.0	6,400,156	100.0

[1] *Partly estimated and subject to very small error since in two cases the price to the original seller was unknown and had to be estimated.*

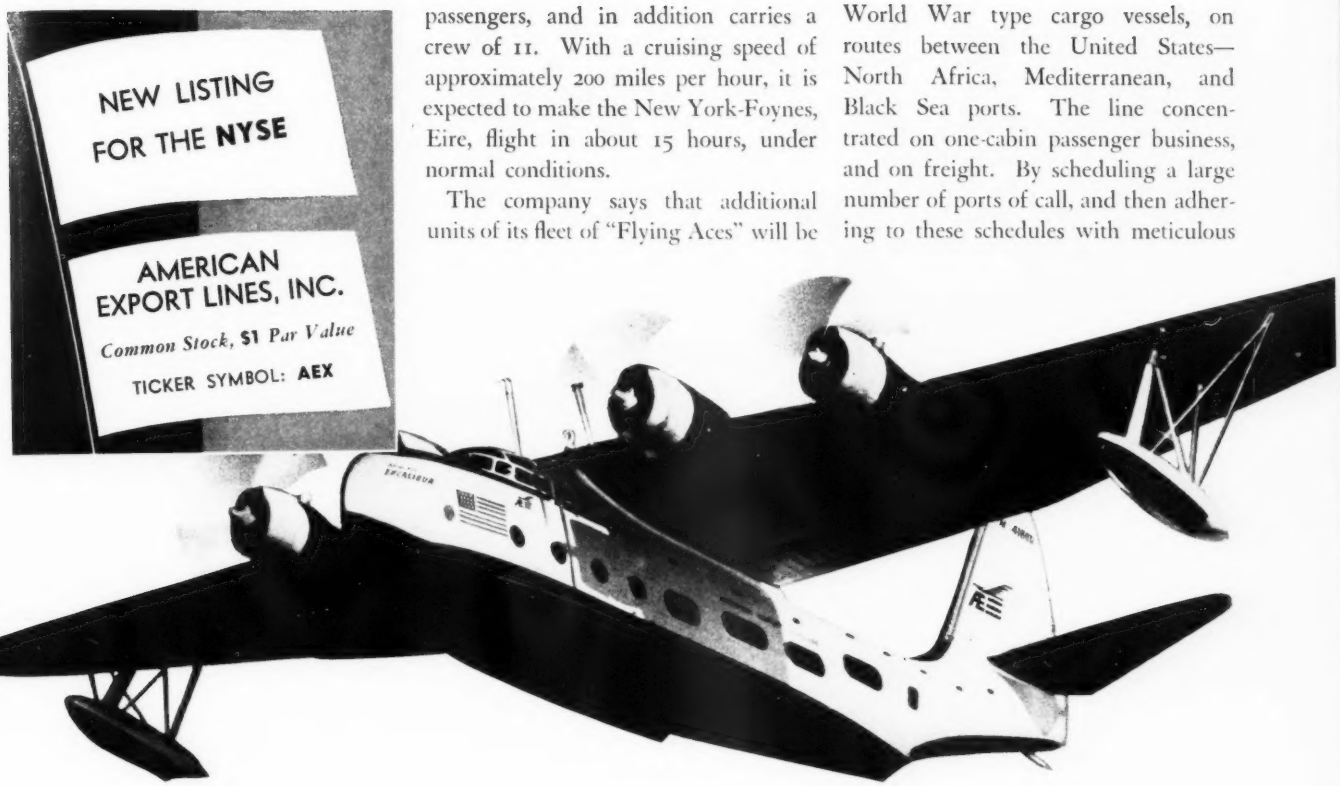
[2] *Includes one distribution for which figures on volume and value were lacking.*

Secondary Distributions, 1938-1941 (First 3 Months)

	Insiders, Estates & Investment Companies		Others, (Including Unknown Sellers)	
	No.	Shares	No.	Shares
N. Y. S. E Stocks				
1938	15	797,992	17	179,900
1939	16	169,821	24	183,929
1940	33	963,595	24	477,965
1941 (3 Months)	12	1,118,984	10	1,710,504
Total Shares, N. Y. S. E. 1938: 977,892, 1939: 353,750, 1940: 1,441,560, 1941 (3 Months): 2,829,488.				
N. Y. C. E. Stocks				
1938	6[1]	112,900	19[2]	36,256
1939	3[1]	83,671	18	98,696
1940	6[1]	100,690	22	118,630
1941 (3 Months)	4	147,380	6	52,650
Total Shares, N. Y. C. E. 1938: 149,156, 1939: 182,367 1940: 219,320, 1941 (3 Months): 200,030.				

[1] *Includes one distribution for which volume figures were lacking.*

[2] *Includes eight distributions for which volume figures were lacking.*



LESS than six weeks after the United States entered the war, American Export Airlines, Inc., subsidiary of American Export Lines, Inc., christened at Stratford, Conn., the first commercial plane ever built for scheduled non-stop transoceanic air service. Years of planning a luxury type air service for transatlantic passengers, mail and cargo are culminating in a far different type of project—the carrying of personnel engaged in directing the war program.

Thus, again, peacetime commercial progress is being converted to the most important job of helping to win the war.

The first ship in American Export Airlines' new air fleet is the EXCALIBUR, which is scheduled to make its initial transatlantic flight late in April. A four-engined Vought-Sikorsky flying boat, it has accommodations for approximately 30 passengers, or 16 sleeping passengers, and in addition carries a crew of 11. With a cruising speed of approximately 200 miles per hour, it is expected to make the New York-Foynes, Eire, flight in about 15 hours, under normal conditions.

The company says that additional units of its fleet of "Flying Aces" will be completed within the next few weeks.

Anyone who has followed the years' long course of American Export Airlines' applications to the Government for a transatlantic air route knows that the inauguration of this service is no chance happening. In fact, American Export Airlines still has no mail contract, but its certificate from the Civil Aeronautics Board allows it to carry passengers, mail and express. It is understood that the line will be paid for carrying mail, but the rate of pay has not been divulged.

Evolution of Airline Program

The airline development is part of a three-way operational program first mapped out by American Export Lines in 1936, the year that the present management gained control. At that time the company was operating a fleet consisting of its "Four Aces," combination passenger-cargo vessels, and over 20 World War type cargo vessels, on routes between the United States—North Africa, Mediterranean, and Black Sea ports. The line concentrated on one-cabin passenger business, and on freight. By scheduling a large number of ports of call, and then adhering to these schedules with meticulous accuracy, the company gained a favorable reputation among both European and American shippers.

Cognizant of the inherent difficulty of competing for luxury passengers against heavily subsidized foreign lines, yet determined to expand, American Export lines decided to:

1. Improve freight services, by replacing outmoded vessels with modern, fast freighters.

2. Improve passenger service, by replacing its "Four Aces" passenger-cargo vessels with more modern, faster, and larger combination passenger-cargo vessels.

3. Compete for luxury trade by air, instead of by sea, by inaugurating deluxe, non-stop, transatlantic airline service for first class passengers, mail, and cargo.

Following passage of the Merchant Marine Act of 1936, as amended in 1938, American Export Lines was the

first United States operator to contract with the Maritime Commission to replace its outmoded vessels with modern, fast freighters. With the assistance of the Maritime Commission, the company designed and engineered two new types of vessels, known as the "Exporter" and "Modified Exporter" types. These vessels embody the best of the industry's new ideas, designed to provide fast, dependable, and economical operation, as well as quick, safe cargo handling facilities needed to meet port conditions on the company's trade routes. The building program, covering 12 ships, representing $30,000,000, has been completed. All of these vessels are now in the water. Some fly the house flag of American Export Lines; others are in the Government service. Contracts have been let to enlarge the fleet to the extent of six additional "Exporter" type vessels. Designs for new passenger vessels are being held in abeyance for the duration of the war. For obvious reasons disposition of the company's fleet cannot be given, nor can details of specifications.

The company's modern history dates from 1936, when the present management took hold. Earnings reported in the succeeding period have been as follows:

	Terminated Voyage Revenues	*Net Income*
1936	$ 7,838,803	$ 707,970
1937	9,189,833	1,059,122
1938	7,502,772	572,320
1939	8,464,510	1,430,295
1940	19,520,680	7,680,901
1941	27,537,808	13,699,498

Just prior to the outbreak of war in Europe in 1940, the Maritime Commission awarded American Export Lines a freight route to India, via the Mediterranean and Suez Canal. This was in addition to its established services.

Re-Routing of Vessels

When the Neutrality Proclamation was issued by the President in 1940, and the North Atlantic sea lanes, and later the Mediterranean, were closed to American shipping, the Maritime Commission directed American Export Lines to re-route its vessels from New York to Lisbon, and from New York to India, via the Cape of Good Hope. The Lisbon service was continued until December, 1941.

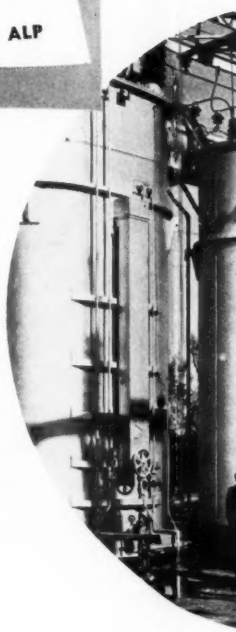
Left: **The Excalibur is christened by Mrs. Henry Agard Wallace, wife of the Vice President of the United States.** ***Below:*** **One of the 12 freighters recently built by American Export Lines with the cooperation of the Maritime Commission.**

NEW LISTING ON THE NYSE

ALABAMA POWER COMPANY

First Mortgage Bonds, 3½%, 1972

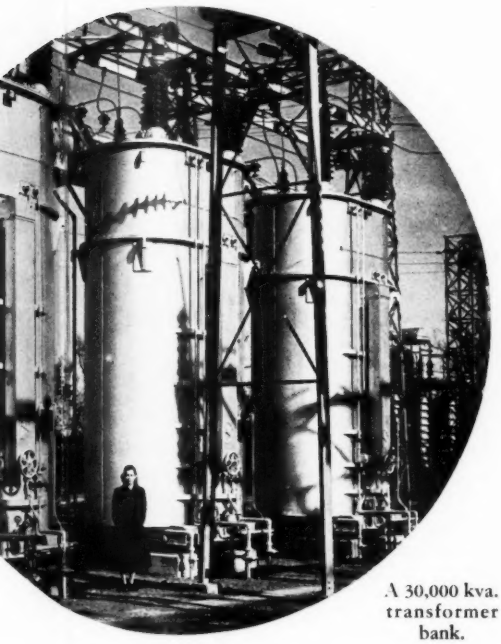
TICKER SYMBOL: **ALP**



THE first sizable public utility issue to be awarded by competitive bidding came on the New York Stock Exchange on March 9 with the listing of $80,000,000 principal amount of First Mortgage Bonds, 3½ per cent series due 1972, of Alabama Power Company. One of the units in the Southern Group of Commonwealth & Southern subsidiaries, the company supplies electric service to 805 communities in 55 counties in Alabama, including direct and indirect customers. Of a total of more than 287,000 customers of the company, it was estimated at the end of 1941 that 170,443 were supplied with service directly and approximately 117,500 were indirect customers. Wholesale customers of the company include the Birmingham Electric Company, nine municipalities and ten rural cooperative associations.

Furthermore, the company's transmission and generating facilities are inter-connected with those of other Commonwealth & Southern subsidiaries in Georgia, Florida, Mississippi and South Carolina, with the result that the entire properties function as a coordinated electric system. Power generated at any point may be utilized at any other location, and the company says that it is every-day practice to operate the entire production facilities as a unit.

Alabama Power Company, itself, owns and operates 6 hydro electric plants having a combined capacity of 583,000 horsepower, and 6 fuel electric plants with a total rating of 260,320 horsepower.



A 30,000 kva. transformer bank.

Sales of electricity to regular customers (excluding power delivered to affiliated companies in adjacent States and to the Tennessee Valley Authority) totaled 2,054,389,382 kilowatt-hours in 1941, compared with 1,692,646,459 kilowatt-hours in 1940, an increase of 21.4 per cent.

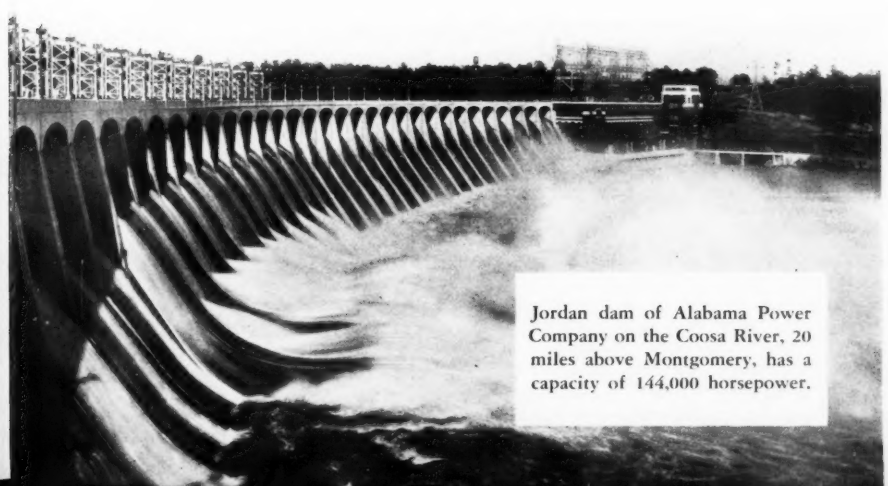
Nearly one-half of its total intrastate sales in 1941, or approximately 1,000,000,000 kilowatt-hours, were to customers engaged in production related to war needs. The company has been advised of additional requirements for this year, but no close estimate is available at this time. During 1941, 32 new industries were established within the area served by the company, representing a capital investment of approximately $51,500,000 and providing employment to an estimated 10,693 persons.

Gross revenues and net income reported by the company for the last four years have been as follows:

	Gross Revenues	*Net Income*
1938	$20,007,028	$3,363,315
1939	22,073,985	4,110,312
1940	22,598,744	3,017,252
1941	26,520,940	3,536,462

To meet the need for increased electric power, Alabama Power Company has under way an expansion program which, when completed, will comprise the installation of 140,000 kilowatts of steam-electric capacity since 1940. In May, 1941, the company's new Chickasaw steam plant, near Mobile, was placed in operation with an initial installation of 40,000 kilowatts; a second 40,000 kilowatt unit is to be completed at the Chickasaw plant by the end of the year; and a new 60,000 kilowatt unit at the company's Gorgas No. 2 steam plant is scheduled to be completed in May, 1943.

The company also acquired in 1941 approximately 18,000 acres of coal land and carried forward plans for the development of this resource.



Jordan dam of Alabama Power Company on the Coosa River, 20 miles above Montgomery, has a capacity of 144,000 horsepower.

BELL AIRCRAFT Corporation of Buffalo, N. Y., one of the youngest of the sizable aircraft manufacturing companies, was incorporated in July of 1935. It was founded on the belief of President Lawrence D. Bell and his associates that a fighting airplane should be built around firepower. Mr. Bell had been an aircraft builder since 1913, associated with Glenn Martin and Major Reuben H. Fleet.

Sub-contract work maintained the organization while the first Bell airplane was being developed. This was the Airacuda, a five-place, long-range, fighter airplane mounted with two 37-mm. cannons—constituting the first time that such heavy firepower had been embodied in an aircraft. The Airacuda was powered by two liquid-cooled, V-type, Allison engines with extension driveshafts and pusher propellers, and both the firing mechanism and range finding equipment were operated by remote control.

Service Order Built for Air Force

A service order of this type of plane was built for the Army Air Force, and while this work was in progress, the company turned its attention further to the development of a single-engine fighter which would embody the most important design improvements of the

Airacuda. This plane, the Airacobra, was also designed around a 37-mm. cannon. In this model, the cannon fires through a hollow propeller hub, and the propeller is powered by a ten-foot extension driveshaft. Placing the Allison engine behind the pilot's compartment has resulted in greatly improved vision and made possible the use of tricycle landing gear.

Since the acceptance of the first Airacobra by the Army Air Forces, the company has concentrated on the quantity production of this one model for the United States and Great Britain.

Combat Experience

Quantity deliveries were made to Great Britain in 1941 and the planes were flown in combat by October of that year, the company reports. In the United States, before war was declared, Airacobras were tested extensively under conditions of simulated warfare in the Southern Maneuvers.

Accounts in both the foreign and domestic press frequently have contained favorable reports of the performance of the Airacobra, with respect to speed, fire power, maneuverability and safety.

The conception and development of the Airacobra has constituted only one phase of Bell Aircraft's participation in the nation's armament program. Equally important has been the change from experimental development work to mass production of high-performance aircraft. Before the war, and the national emergency which preceded it, the aircraft industry had existed on small orders. Large orders required mass production, instead of the custom-built methods formerly used.

The transition to real quantity at Bell Aircraft has been accompanied by the development of new machines and new production techniques, as well as the adaptation of certain proven mass production techniques to the needs of the aircraft industry. About 30 per cent of the Airacobra design had to be reworked so that 100 per cent lofting could be adopted. Lofting, in the aircraft industry, means making a template, or pattern, for each of the 9,000 parts that make up the Airacobras.

Airacobras are moved along this assembly line at a Bell Aircraft plant by means of a drag chain recessed in the floor.

Army pilots grouped before an Airacobra.

In addition to its 37 mm. cannon, which fires through a hollow propeller hub, the Airacobra has light and heavy machine guns.

These templates make possible the interchangeability of parts which is the foundation of all quantity production.

Sales and net earnings reported by the company for the past five years have been as follows:

	Sales	*Net Profit*
1937 . . .	$ 1,707,627	$ 43,241
1938 . . .	1,219,253	65,488
1939 . . .	450,439	9,203
1940 . . .	5,188,001	284,745
1941 . . .	46,414,444	1,970,645

In addition to the production of P-39 Airacobras, Bell Aircraft is also producing special ordnance equipment for our armed forces, as well as undertaking other responsibilities in the war production program.

The listing of the common stock of Bell Aircraft Corporation brings to 13 the number of aircraft companies which have securities on the New York Stock Exchange. Merely since the latter part of 1939, three aircraft companies, in addition to Bell Aircraft, have been added to the list. These are: Lockheed Aircraft Corporation, Grumman Aircraft Engineering Corporation and Vultee Aircraft, Inc.

Army P-39 Airacobras, photographed in service with the Air Force.

What makes today's stock prices?

OFFERINGS BY LARGE HOLDERS ARE ONE ELEMENT HAVING A SIZABLE INFLUENCE UPON THE PRICE STRUCTURE

ONE of the oldest adages in Wall Street is that earnings make stock prices. Back in the 1936-37 rise a survey of the price fluctuations of 154 stocks showed that over a twelve-month period only 42 declined against rising earnings, with most of the declines comparatively slight, while only 4 stocks which had a declining trend of earnings in this period appreciated in value.

Again, there is the story of the wealthy retired investor, a prominent figure, who granted one of his rare interviews to the press. Picking up the newspaper which the reporter carried in his hand he turned to the column of market gossip and exclaimed, "Why don't you stop printing all this twaddle about who are buying stocks?" Then, pounding the table, he shouted, "The only thing that counts is earning power and that's what you ought to be chasing."

Lately it has not seemed quite that simple. Prices persistently refused to climb in 1939, 1940 and 1941 as earnings expanded. A wealth of rationalizations were offered at the time, and some analysts now credit the market with foreseeing correctly the sacrifices which war ultimately would demand.

Actually, of course, a number of influences have been at work on stock prices—some of which are well known, others less completely understood. Of the latter, one especially has received only "piecemeal" publicity, and yet a knowledge of it appears essential to any successful investment policy. This is the progressive distribution of stock holdings out of the hands of wealthy individuals into the hands mainly of investors of more moderate means.

It is a trend which has gained momentum as the taxes upon incomes, inheritances and estates have increased, while the capital gains tax long has deterred investment by the very individuals best provided with the means to undertake such ventures.

In 1940, holdings having a market value of $42,000,000 were broken up in secondary distributions among more numerous, smaller investors. In 1941, more than $141,000,000 market value of stock holdings were redistributed in this way. These totals are exclusive of sales of British origin. Last December a large part of the activity in the listed market was ascribed to sales for tax purposes. The system of special offerings recently initiated on the Exchange is another evidence of this trend. Liquidation of large holdings has been proceeding on a scale never before witnessed. One has only to look at the proposals for new and added taxes to know that the trend must continue, probably in a larger volume than ever before.

Meaning to Average Investor

Beyond effecting a partial redistribution of the wealth, what does this mean to the average investor—to the millions of persons who own a few thousand dollars' worth of securities?

The differential in the incidence of taxes, as between a wealthy individual and one of moderate means, has become so great that it amounts to the setting up of two separate rules for making investments. The situations of the two are as different as day and night. For a man with an income between $50,000 and $60,000 a year, the net yield from a 4 per cent taxable return on an investment is but 1.56 per cent after allowing for Federal taxes. The small-income man can realize as much as 3.5 per cent, or possibly as high as 3.8 per cent, on a like investment.

A stock which can't be a buy for the former may be a buy for the latter!

More than that, many large holders have been letting go of some of their investments in order to obtain funds for tax payments. In other words, they have been selling stocks primarily to realize cash and not because they are displeased with a security's prospects.

Under these conditions, if there is to be investment leadership it must be mainly by the smaller investors who are less encumbered by taxes. They enjoy an advantage as real as if they were allowed to purchase shares at a discount. More than ever before the 8,000,000 to 10,000,000 individual security holders throughout the country become the bulwark of the securities market.

But will small investors assume this leadership in industrial investments which is theirs for the taking?

One reason they have not done so yet, it appears, is that the rich man's discouragements and investment dilemmas have been so widely publicized that all investors, large and small alike, have become disheartened. This article

has attempted to point out one fundamental difference in their situations.

What is needed first, it seems, is a means of allowing the country's scattered, more numerous investors to become more articulate. It is difficult to believe that security holders have been as phlegmatic in the face of the widespread economic changes of the past year or so as the low trading volume indicates.

One possibility which suggests itself is that a method be established of learning of prices at which brokerage customers would be interested in acquiring, or disposing of, shares of certain issues. Individuals would be more willing to indicate an interest in a stock at a certain level, than to commit themselves to an order. A type of "popular front" of price ideas could be set up which would be a means of keeping alive customers' interest in the market and at some future date provide a backlog of orders.

It is known that in cases in which large blocks of securities are held securities brokers sometimes do solicit indications of prices at which transactions would be agreeable. But it seems that the practice could be extended. With only about one-half of the issues listed on the Exchange being traded on an average day, some additional method of registering customer opinion appears needed.

Client's Requirements

(continued from page 6)

sold off the board in the period from 1938 through 1941 shows that they are representative of the better-grade investment issues. One of the reasons that so few low-priced stocks were subjects of secondaries is that they cannot be successfully distributed on a national scale because of their relatively indifferent investment quality. The fact that groups cannot be formed to distribute securities of low or doubtful investment merit is the strongest argument against the statement that all that is necessary to move a block of stock is to pay a large commission.

That the stocks sold are of high investment standing is indicated also by the more important sources of the blocks, namely, investment companies, large estates and private holding companies.

The market action of secondaries has been a subject of much debate. Many studies have been made showing the action of the market for a short period before and after a distribution. These have indicated that generally the market in the stock distributed has declined shortly after the distribution was completed. These studies have shown further that later there usually has been some recovery, but that generally the short-term market action has been unfavorable. The short-term market action, however, is not important in secondaries. The figures show that a very substantial part of the sales—86 per cent for non-members and 65 per cent for member firms—were for cash. In the SEC study of 15 distributions the average sale was 82 shares. This large percentage of cash sales and the small average sale indicate the investment nature of the distribution carried on in secondaries. In investment purchases the week-to-week trend is not important as regards the ultimate position of the purchaser. In 1940 the market action for secondaries generally was favorable. In 1941 the contrary was true.

Dow-Jones Average

It is quite apparent that if one grants the premise that the stocks sold by means of secondary distributions are typical of general market issues, then it follows that the long-term market action of secondaries will follow the Dow-Jones averages. If 50 popular market stocks are distributed in March, 1942, when the Dow-Jones averages are at 100—then these secondaries will show a favorable market history if in December, 1942, the Dow-Jones averages are at, say, 150. Contrariwise, if the Dow-Jones averages in December, 1942, are at 50, then the secondaries will show a poor performance. The character of the majority of secondaries is such as to make it axiomatic that the long-term market history of average stocks offered in secondary distributions will follow

VOLUME OF SECONDARY DISTRIBUTIONS OF NYSE STOCKS AND NYCE STOCKS—1938-1941

		Number	Volume (1)	Value (2)
NYSE Stocks				
1938		32	961,117	$ 35,549,860
1939		40	352,615	15,438,633
1940	Total	73	1,890,469	53,947,831
	British	16	439,173	11,507,847
	Domestic	57	1,451,296	42,439,984
1941	Total	66	4,685,054	110,204,328
(3 mos.)	British	44	1,813,773	54,482,796
	Domestic	22	2,871,281	55,721,532
NYCE Stocks				
1938		25 (3)	155,704	3,930,877
1939		21 (3)	143,088	5,376,044
1940	Total	30 (3)	253,345	6,635,240
	British	2	42,192	928,910
	Domestic	28 (3)	211,153	5,706,330
1941	Total	11	216,469	4,885,524
(3 mos.)	British	1	13,693	494,591
	Domestic	10	202,776	4,390,933

(1) These figures represent allotments made by the manager to the selling dealers, including allotments of shares obtained through stabilizing and overallotment.
(2) These figures represent the volume of over-the-counter sales evaluated by the price at which the shares were offered to the public. If public offering prices varied in the course of the offering, the midpoint in the range was used.
(3) Nine distributions in 1938, two distributions in 1939, and one distribution in 1940 are included with the number of offerings but for lack of information are excluded from the volume and value data.

"TIMES-EARNINGS" RATIO OF LISTED STOCKS

AMONG the letters published in this issue will be found one which expresses startled surprise at the discovery of a stock selling at $8, whereas net earnings of the corporation in 1941 were actually about $4 per share. A little research among common stocks listed on the New York Stock Exchange in respect to the "times-earnings" ratio revealed that no fewer than 20 common stocks were selling around mid-April at *less* than twice the amount of 1941 net earnings per common share of the issuing companies.

Taking 620 listed common stocks, about 16 per cent were found to be selling on April 13 at levels between 3 and 3.9 times 1941 net earnings. Of the 620, approximately 12 per cent had a market appraisal on that day equal to the one-time standard of "ten times earnings," or higher. This tabulation omits all common stocks which are junior to an accumulation of interest or preferred dividend arrears.

The following table gives a picture of the relationship between recent prices and the 1941 earnings.

Ratio of Recent Price to 1941 Earnings Per Share	*Number of Common Stocks*
Under 2.0	20
2.0 — 2.9	60
3.0 — 3.9	101
4.0 — 4.9	96
5.0 — 5.9	84
6.0 — 6.9	55
7.0 — 7.9	47
8.0 — 8.9	43
9.0 — 9.9	37
10.0 — 10.9	21
11.0 — 11.9	12
12.0 — 12.9	13
13.0 and over	31
Typical Times-Earnings Ratio (Median): 5.3	

Considering the stocks by industrial groups, chemical and tobacco shares were selling among the highest in terms of corporate earnings, while rubber, steel and automotive issues were included among the lowest.

Client's Requirements

(continued from page 12)

the pattern of the Dow-Jones averages.

The stocks listed on the New York Stock Exchange and on the New York Curb, taken as a class, are of better quality than unlisted securities. Non-member firms, through these secondaries, have had an opportunity for the first time to offer, at a profit to themselves, listed securities. Investors as a class, therefore, have had, as a result of these secondaries being offered, a higher grade of securities to select from than prevailed heretofore.

The break up of large blocks of stocks, such as 500,000 shares of Standard Oil of New Jersey, which came out of one estate, among a large number of small holders has been favorable so far as the long-term outlook for the brokerage business is concerned. An indication of this is to be seen in the experience of one firm which distributed 120,000 shares of one issue. This transaction involved a transfer of the ownership of stock from one holder to 970 holders. The average shares per customer was 124. The fact that there are now 970 individuals holding this block of stock instead of one should, over a period of time, be conducive to effecting a larger volume of transactions on the floor of the Stock Exchange in that particular stock.

An Upward Trend

The relationship between the total number of shares sold off the board and the total volume of transactions on the Exchange is interesting. The trend has been upward due to the necessity of the British liquidation and the rigors of our tax bill.

The final figures for 1941 show 8,408,825 shares sold off the board, or less than 5 per cent of the total traded on the Exchange. Certainly the over-all percentage of the three-year volume traded off the board is too small to justify the degree of alarm sometimes expressed as to the possibility that the Exchange may lose its importance because of secondaries.

The low volume of trading is due to other factors, not relevant to this discussion.

Member firms, as a class, took a large part in this secondary distribution. In 1938 member firms sold 62 per cent of all shares retail in secondary distributions; in 1939, 56 per cent; in 1940, 67 per cent. It should be obvious, therefore, that the cry that Exchange members are losing business is not substantiated by the record. When one considers that member firms sold nearly three-quarters of the stock distributed in secondaries and got four to five times the ordinary brokerage commission for doing so, it should be clear that member firms as a class have not been penalized by such offerings.

When one considers that as a result of secondary distributions investors are given an opportunity to buy a better class of security, and that the market history of such offerings corresponds to the trend of the general market averages, it should be apparent that secondary distributions are beneficial, not only to the financial community, but to investors as well.

A TALE OF TWO STOCK OFFERINGS

(continued from page 5)

public rather than to have an underwriting. Dealers, protesting that the company should confine itself to the utilities business, opposed this plan.

In Washington, to lodge a protest with the SEC, Louisville dealers met with Leo T. Crowley, head of Standard Gas, and T. B. Wilson, president of Louisville Gas. A basis was discussed upon which dealers could handle the issue without prejudicing the case of the utility. (Dealers had no wish to force competitive bidding.)

Back in Louisville, the management said it was ready to abandon company selling and to distribute the issue through dealers, if the securities men would support a price of $23.50 a share to the public. The company in effect pointed to a yield of better than 6 per cent on a $1.50 annual dividend basis and expressed belief investors would purchase at that price.

Dealers balked, suggesting that a fair price in comparison with other utility stocks would be $21 a share and that the stock had an added value of $1 a share to Kentuckians because of exemption from a State tax.

The company demurred to slashing the price and returned to the SEC where, on October 22, it was granted permission to sell directly to the public. The SEC held the price of $23.50 "not outside a reasonable range."

Most Louisville dealers, sticking by their guns on a lower price, declined to sign agreements to sell at $23.50 with 75 cents a share commission. By October 30, the company applied to license five additional salesmen, practically doubling its sales force.

"We may be selling for two or three months," Robert Montgomery, vice president of the company, said. Mr. Montgomery had directed the marketing of nearly $20,000,000 par value of preferred for the company in the 1920's.

By the first week in November, Louisville Gas & Electric Company of Delaware "A" stock was selling around $21 a share on the New York Stock Exchange. In the Delaware portfolio still reposed 1.47 shares of Kentucky common for each share of Delaware "A" outstanding.

Sales lagged. On December 9, the company had sold with the help of cooperating dealers 21,765 of 150,000 shares. Later, the SEC extended permission for the sale to continue three months after December 23.

The utility management was nearly convinced by January 27. It sought SEC permission to sell what it could to the public at $23.50 each month. At the end of each month, Standard Gas & Electric would purchase sufficient stock at $22.75 a share to make up $500,000 for Louisville Gas.

It was revealed that as of January 12 sales had reached 23,795 shares, of which cooperating dealers had sold 10,277.

The SEC on January 30 authorized Standard Gas & Electric to purchase Louisville Gas stock but insisted that it must pay $23.50, rather than $22.75.

Sales to Public Come to End

This arrangement lasted nearly two months. Louisville Gas & Electric obtained permission on March 23 to sell the remaining stock to Standard Gas, no extension being requested for further sales to the public.

The SEC in its January 30 order pointed out that Standard Gas had been ordered to divest itself of its interests, both direct and indirect, in Louisville Gas. It reiterated that the proposed stock acquisition by Standard Gas was not detrimental to the carrying out of the integration provisions of the holding company act and that further "the acquisition will serve the public interest, by tending toward the economical and efficient development of the Louisville system."

Louisville Gas with the assistance of a few dealers distributed approximately one-sixth of its 150,000-share issue under the direct sales plan. It called its parent, Standard Gas, which has financing problems of its own, to the rescue on the other five-sixths.

The SEC, favoring regional distribution, gave permission for a direct sale. It wound up authorizing a holding company, which is supposed to divorce itself from Louisville Gas, to purchase most of the stock, thereby further complicating Standard Gas integration.

On the day Standard Gas was authorized by the SEC to purchase the balance of Louisville Gas common at $23.50, the Louisville over-the-counter market reported an odd-lot purchase of the stock at $15.25 a share. Louisville Gas of Delaware, which still had back of it 1.47 shares of Louisville Gas of Kentucky common stock, was selling around 15 on the Stock Exchange.

Who benefited from this direct sale? Louisville Gas, gaining little goodwill in the process, failed to effect wide public distribution. The SEC found the case no unmixed blessing. Standard Gas added to its problems. Securities dealers as a whole received no commissions commensurate with their expenditures. Worst of all, the public was further confused at a time when confusion was at no premium.

My friend, Allan Trout, through his column, "Greetings," in The Courier-Journal, frequently emphasizes that it is "a scientific fact that a bumblebee can make a bull jump the fence." If I were in the securities business, I should want every member of the Securities & Exchange Commission, the officers of every sizable corporation and every investment dealer in the United States to peruse an outline of the Pacific Gas and the Louisville Gas stock cases.

War Bonds...

A Forerunner of Interest In General Securities?

FOR the second time in a single generation the American public is becoming securities minded as the result of a national crisis!

It was war in 1917-18 which converted this country into a nation of investors . . . in the $15,000,000,000 of Liberty and Victory Loans. It is United States War Bonds which, on a far broader scale than on the first occasion, are causing the present World War to be the instrument in generating a vast public interest in securities' investment.

Before World War I it was estimated that not more than 300,000 of the 100,000,000 population were stockholders of record in domestic corporations. A rough estimate of individual owners of stocks and bonds comprised not more than 2,000,000 persons. When the war was over the subscription records of the Liberty and Victory Loans indicated that these issues were owned by 15,000,000 individuals.

Tracing a Parallel

How may a parallel between "then and now" be traced? The analogy deals with a state of mind rather than with comparative volumes of investment buying. The introduction to war financing in 1917 was made against a background of a small national first-hand acquaintance with securities as *investments;* this may be emphasized to prevent confusion with the extensive speculation which occurred in "war stocks" in 1915 and 1916. After the first World War, Liberty and Victory Bonds — bought largely on bank credit by means of periodic payment plans arranged with banks — were sold heavily for a time. But when the long period of industrial growth began in 1922, the financing of it was facilitated by a previously enlarged knowledge of securities, and by reinvestment of part of the funds which originally had been loaned to the Government.

The number of investors in corporate stocks continued to increase during the 1930's. Still, in proportion to the tremendous increase of corporations with securities in the open markets, and in proportion, too, to the gain of population, the 1930's witnessed a material slackening in the public's interest in general securities.

This shrinkage was made evident by market transactions which dwindled practically from year to year; shrinkage was revealed by a decline in offerings of new investment securities. But the gradual increase of securities owners during the last ten years is now being accelerated at a tremendous rate by the buying of War Bonds.

An accompanying factor, as a host of investors rises into view, has been noted by brokers and securities dealers. This is an awakened interest in financial subjects among buyers of War Bonds. A securities broker located in a Mid-Western city of 50,000 inhabitants reports that, to his surprise, his office has become a clearing house of information not only about War Bond issues but also in regard to other investments, taxes, lease-lend transactions, and so on.

The community is the center of a prosperous farming area. The War Bond campaign, over the radio and in the printed news, is bringing a great deal of money forward to assist in the war effort. The division of the Bonds

Scene at Broad and Wall Streets during the Liberty Bond drive in 1918.
BROWN BROS.

into series—E, F and G—has aroused investors to inquire about the different characteristics of the issues. Buyers want to know how taxes, current and problematical, will affect their incomes. They inquire for assistance in apportioning their investments so that their net incomes may be maintained as fully as possible. In many cases, involving individuals whom the broker had not previously heard of, the inquirers often desire to invest some "extra" money in securities in addition to War Bonds.

The business moral of this broker's experience seems to be that times call for broad-gauge informational service to persons who, before War Bonds came into the limelight, were thinking little about investment. The market setting and the public attitude toward securities is quite different from what they were in 1917-18. In those years, the Treasury's offerings of bonds in order to prosecute the war came into an atmosphere saturated with speculation. The "war baby" stock excitement had been rampant for a year and a half. The buyers of Liberty Bonds were encouraged to borrow in order to pay for them. This system, while it did not directly encourage liquidation of the bonds as soon as the crisis was over, acted to cause the Government issues to be "lightly" held.

Buying to Hold

On the present occasion War Bonds are being bought to be kept. They are being sold on an *investment* basis, with much stress being laid upon yield and security. Furthermore, the Bonds may neither be sold in the open market nor pledged for loans. And the seriousness of the world conflict has acted to restrain speculation in all securities.

It seems obvious that, so far as brokerage service in securities is concerned, realism calls for painstaking research into investment values — with income return stressed more importantly than the expectation of capital appreciation.

"The task of assisting buyers of War Bonds," reports the Mid-Western broker, "has proved to my satisfaction that specialization—the bond man adhering to bonds and the customers' broker to stocks—is going out of the picture. The breadth of information that War Bond buyers' desire amazes me. After they decide upon the series which fills their needs as investments, they pursue inquiries among other kinds of securities which best fit their incomes, reserves, tax bracket, and business prospects.

"Conditions require that brokers be widely informed about all kinds of securities. Not many of the people who come to my office express interest in a stock or bond because 'it ought to go higher,' but they are impressed by facts about a bond or a stock that is 'worth owning' because of demonstrated earning power behind it or a record of excellent management of the issuing corporation.

"War Bonds have sharpened the interest of millions of people in securities."

We Can Make Our Own!

(continued from page 4)

are relatively new and are expanding with resultant increased demands for glycerine. It is estimated that the consumption of glycerine by these two industries alone is increasing at the rate of 3,000,000 to 4,000,000 pounds per year.

Now that war is taking increasing amounts in the manufacture of explosives the supply would not be sufficient except for chemistry. Chemists have developed a synthetic process for making glycerine from oil refining gases. This process has been described as being so important that it deserves to rank with the process of fixing atmospheric nitrogen developed in 1915 in Germany, which naturally solved the problem of supply of nitrates that formerly came from Chile. We "fix" our own nitrogen these active days.

Now we come to probably the most widely discussed subject in this country today—rubber. About 98 per cent of the world's rubber has been produced in the Far East, and since the attack at Pearl Harbor that supply has been declining until now it is completely cut off. What of it, considering the longer view?

Substitute Materials

Although rubber has never been synthesized, chemistry has found the means of producing substitute materials differing from rubber in chemical composition but closely approaching it in chemical and physical properties. These rubber-like materials have come to be called synthetic rubbers.

There are a large number of such materials but at present only about five such substances are in commercial production. They are designated by many different names, but for our purposes we shall classify them as follows: (1) butadiene; (2) buna S.; (3) buna N.; (4) polysulfide rubbers, and (5) neoprene.

In the main these synthetic rubbers are made by cracking petroleum gases to obtain a substance called "butadiene" which is combined with other elements or compounds and subjected to higher temperatures for varying periods of time in the presence of certain metals used as catalysts. Of course, the process varies widely for each synthetic rubber desired.

At the present time the production of these products is gathering headway, a "hedged" description properly applied to a new essential industry of

interest to Germany and Japan. Given the time, perhaps 15 months, and American chemists and management should have the rate of production of this much-needed product running at a rate of higher than 50 per cent of the big rubber consumption in 1941.

One quality in which synthetic rubber is superior is its resistance to deterioration by oil and oil products. The knowledge and experience acquired by our rubber manufacturers in the past decade of work with synthetic rubber should stand them in good stead in fulfilling the present war-time needs.

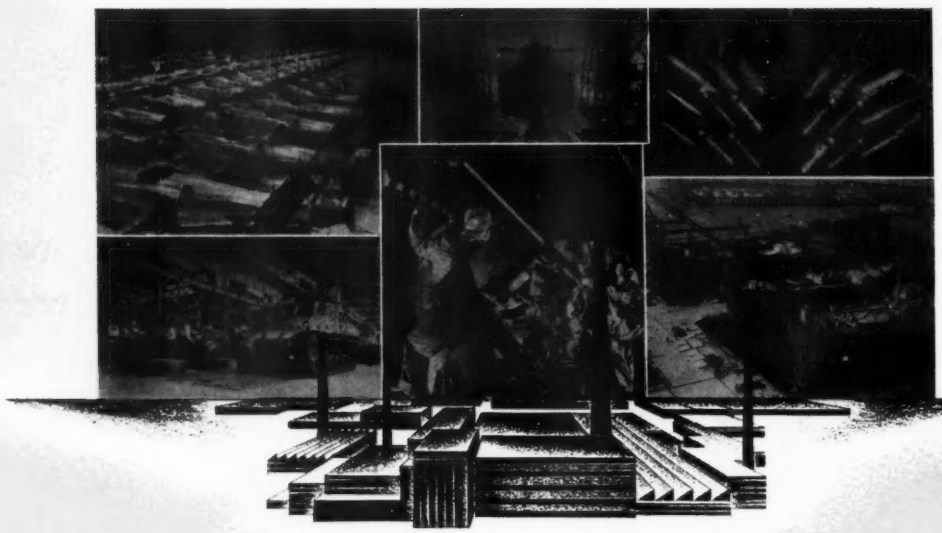
Our Army had the foresight as long ago as 1934 to purchase a substantial number of tires made wholly from neoprene. These tires have performed quite well, in fact some of them are still in service. Similarly, many of our leading tire manufacturers have produced tires made wholly of neoprene, and have tested them under a wide variety of conditions of service and have found them to be generally satisfactory. In addition, tires of all types and sizes have been made with a neoprene tread and a rubber carcass. These tires have given satisfactory results and, in fact, under some conditions of service have proved superior to tires made entirely of natural rubber.

In brief, today our chemical industry has a production greater than that of England, Germany, Japan, Italy and Russia combined. Isn't there food for constructive thought in this situation, especially among investors in American corporations; not only currently but in connection with the distant scene when peace shall come again?

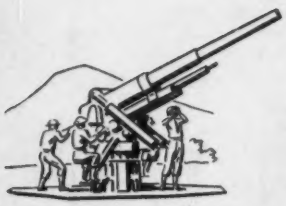
MONTHLY STATISTICS—NEW YORK STOCK EXCHANGE

		1942			1941
MONTH END DATA		MARCH	FEBRUARY	JANUARY	MARCH
1. Shares Listed	(Mil.)	1,469	1,467	1,467	1,457
2. Share Issues Listed	(No.)	1,238	1,234	1,237	1,233
3. Par Value of Bonds Listed	(Mil. $)	60,579	60,532	59,076	55,746
4. Bond Issues Listed	(No.)	1,166	1,165	1,171	1,289
5. Total Stock and/or Bond Issuers	(No.)	1,213	1,209	1,209	1,282
6. Market Value of Listed Shares	(Mil. $)	32,844	35,234	36,228	39,696
7. Market Value of Listed Bonds	(Mil. $)	58,140	57,585	56,262	52,252
8. Market Value of All Listed Securities	(Mil. $)	90,985	92,819	92,490	91,948
9. Flat Average Price—All Share Issues	($)	34.52	36.35	36.94	38.14
10. Shares: Market Value ÷ Shares Listed	($)	22.36	24.02	24.70	27.24
11. Bonds: Market Value ÷ Par Value	($)	95.97	95.13	95.24	93.73
12. Stock Price Index (12/31/24=100)	(%)	44.5	47.8	49.2	54.1
13. Shares in Short Interest	(Thou.)	514	489	461	538
14. Member Borrowings	(Mil. $)	330	340	325	413
Per Cent of Market Value of Listed Shares	(%)	1.01	0.96	0.90	1.04
15. N. Y. S. E. Members' Branch Offices	(No.)	832	859	867	935
16. Total Non-Member Correspondent Offices	(No.)	2,718	2,798	2,885	3,255
DATA FOR FULL MONTH					
17. Reported Share Volume	(Thou.)	8,588	7,926	12,994	10,124
Daily Average (Incl. Saturdays)	(Thou.)	330	360	500	389
Daily Average (Excl. Saturdays)	(Thou.)	357	394	545	433
Ratio to Listed Shares	(%)	0.59	0.54	0.89	0.70
18. Total Share Volume (Incl. Odd Lots)	(Thou.)		10,610	21,208	13,073
19. Money Value of Total Share Sales	(Thou. $)		251,187	445,724	318,735
20. Reported Bond Volume (Par Value)	(Thou. $)	263,055	158,357	219,955	214,382
Daily Average (Incl. Saturdays)	(Thou. $)	10,117	7,198	8,460	8,245
Daily Average (Excl. Saturdays)	(Thou. $)	11,008	7,611	9,260	9,147
Ratio to Par Value of Listed Bonds	(%)	.434	.265	.375	.390
21. Total Bond Volume (Par Value)	(Thou. $)		165,002	237,263	209,379
22. Money Value of Total Bond Sales	(Thou. $)		78,643	111,586	96,162
23. N. Y. S. E. Memberships Transferred	(No.)	5	4	8	7
Average Price	($)	18,666	21,750	24,200	26,600
24. Stock Clearing Corporation:					
Average Price of Settled Shares	($)	19.8	20.0	18.2	21.0

Note: Items 13, 14, 18, 19, 21, 22 and 24 are as of ledgers which normally reflect transactions up to the close of the second full preceding business day.



Cushing, Galloway
Acme, Wide World



Fighting Money

DETERMINATION to defeat the enemies of democracy transcends today the commonplace motives of investment.

United States War Savings Bonds, bought to the limit that earnings permit, are an investment in Victory . . . with a good yield an additional attraction.

Fighting money! Wherever furnaces are roaring, wherever production lines are sending forth their endless chains of tanks, jeeps, trucks, wherever arsenals and factories are fabricating guns, there the proceeds of War Bonds are enlisted for Victory.

You have already invested. Invest again . . . and again. For convenience in buying War Savings Bonds employ the wide-spread facilities of member firms of the

NEW YORK STOCK EXCHANGE

Offices in 339 Cities of 44 States